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# Conference on Business Cycles

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NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.

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Since the present volume is a record of conference proceedings, it has been exempted from the rules governing submission of manuscripts to, and critical review by, the Board of Directors of the National Bureau. It has, however, been reviewed and accepted for publication by the Director of Research.

*(Resolution adopted July 6, 1948  
and revised November 21, 1949)*

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## FOREWORD

by GOTTFRIED HABERLER

The present volume contains the papers presented and the ensuing discussion at the Conference on Business Cycles held in New York, November 25-7, 1949. Since no stenographic record of the discussion from the floor was taken, only those contributions to the debate which were submitted in writing are printed. The authors were given a chance to revise their papers and to append replies to their critics — an opportunity of which most speakers availed themselves.

The Conference grew out of a recommendation by the Universities-National Bureau Committee for Economic Research, and its program was prepared by a committee consisting of Moses Abramovitz, R. A. Gordon, Simon Kuznets, Jacob Marschak, Geoffrey Moore, Hans Neisser, Arthur Smithies, and myself as chairman.

The purpose of the Conference was to afford the participants, about 70 in number, an opportunity to discuss thoroughly some of the major problems and results of business cycle research. The highly successful Conferences on Research in Income and Wealth were the obvious model for the Business Cycles Conference. I am afraid we have not been able to do for business cycle research as much as the Income Conferences have been able to do for income analysis. The reasons are fairly evident: business cycle research is a broader field; the basic cleavages in approach are much deeper, reaching down to the very philosophical foundations of scientific analysis of social phenomena; hence the scholars interested in our subject are not such a closely knit group as those engaged in income analysis.

I believe, nevertheless, that it was the common opinion of the participants that the Conference was a worthwhile enterprise.

The volume falls into three parts. Part I consists of papers dealing with the major empirical approaches to the study of business cycles, their methods and results.

Wesley C. Mitchell had agreed to open the Conference and to unveil for the first time in public some of the results of his book, *What Happens during Business Cycles*, which has since been published by the National Bureau. Unfortunately, he did not live to carry out his plan, but his unfinished manuscript was circulated to the conferees and Arthur F. Burns read



a report on it. The book was commented on by Jacob Marschak, and Burns wrote a reply for the present volume.

Next comes a lengthy soul-searching paper by Carl Christ of the Cowles Commission, which exemplifies the econometric approach to the cycle. Incisive comments follow by Milton Friedman and Lawrence Klein, the latter drawing forth a reply by Christ. Some further brief comments on Christ's paper were contributed by Geoffrey Moore and Jan Tinbergen.

Tinbergen's paper on the testing of business cycle theories was commented on by Tjalling Koopmans who took the occasion to make some remarks also on the previous discussion. David McCord Wright presents some reflections on the broader philosophical aspects raised by the National Bureau of Economic Research and the Cowles Commission.

Schumpeter's essay on the historical approach to business cycles is an unrevised draft which he distributed to the Conference and which he intended to revise later; but he was not able to do so before his death in January 1950. As usual, he spoke without notes, with great vigor and temperament. His paper gave Simon Kuznets an opportunity to state his views on the functions of the historical method in business cycle research.

R. A. Gordon's progress report on his extensive study of cyclical experience in the interwar period and Hans Neisser's comment round out the discussion concerning methods of business cycle research.

Part II of the present volume deals with the behavior of profits, investment and inventories in the cycle. The papers by Thor Hultgren and Moses Abramovitz have grown out of National Bureau investigations while Lawrence Klein's extensive study, although actually written during his stay with the National Bureau, is in the econometric, Cowles Commission, style. The comments by Irwin Friend, James W. Angell, Wassily Leontief and Lloyd Metzler give the reader an idea of the lively discussion evoked by the three papers.

Part III deals with broader questions. Ashley Wright's paper discusses business cycle research from the point of view of business policy, while Arthur Smithies' paper deals with government policy and the cycle. My own paper tries to answer the question whether there would be a cycle in partially planned economies — leaving out the case of completely planned economies of the Russian type, a gap which is filled by Abram Bergson's discussion.

The task of getting together the papers and discussion remarks was distributed among the members of the program committee of the Conference, while the final preparation for publication was in the capable hands of Thor Hultgren and Geoffrey Moore. Martha Anderson contributed her valued services as editor, H. Irving Forman designed the necessary charts, and Regina Sands constructed the index.

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